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FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

JUL 8 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
) CC Docket No. 96-98
Implementation of the Local)
Competition Provisions in the)
Telecommunications Act of 1996) DOCKET FILE COPY ORIGINAL
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To: The Commission

SUPPLEMENTAL COMMENTS

Teleport Communications Group Inc. ("TCGI"), hereby submits supplemental comments on the model of the telecommunications industry proposed by the Common Carrier Bureau's Industry Analysis Division and the Competition Division, Office of General Counsel.

TCGI opposes the use of the proposed model for any decision-making purposes in connection with the Commission's above-captioned Local Competition proceeding, because the theoretical basis, the methodological assumptions, and the expected statistical reliability of the model have not been described in sufficient detail to be used for any probative purposes. The actual purpose of the model in this proceeding also is not evident from the information provided by the

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Commission's News Release¹ and Public Notice.² In addition, empirical data with which to quantify the variables in the model are simply not available.

Because the decision in the Local Competition proceeding — which will implement Sections 251, 252, and 253 of the Telecommunications Act of 1996³ — will have far-reaching implications for the telecommunications industry, the Commission should use only actual factual information in reaching its decision herein. No model that has not been previously calibrated and shown to yield empirically verifiable results can substitute for the actual experience of competitors. Any theoretical projections that postulate market performance are, at best, hypothetical. Actual experience — in particular, market penetration and the extent to which facilities-based competition is developing — can be, and must be, measured objectively.⁴ The use of statistical models, however, invites virtually unresolvable debate.

It is also not clear how the Commission might use the Staff's model. According to the News Release, the model, "using publicly-available, industry-wide information, allows the user to simulate the relative impact of particular changes in

¹FCC News Release, "FCC Staff Releases Working Copy of an Industry Demand & Supply Simulation Model," Report No. CC 96-13 (rel. June 17, 1996).

²FCC Public Notice, "Supplemental Comment Period Designated For Local Competition Proceeding," CC Docket 96-98, DA 96-1007, IAD 96-175 (rel. June 20, 1996).

³Pub. L. No. 104-104, 110 Stat. 56 (1996) ("1996 Act").

⁴See TCGI Comments at 3-5, Telecommunications Access Provider Survey, CCB-IAD 95-110 (filed December 11, 1995). See also TCGI Reply Comments at 2-4 (filed January 16, 1996).

the industry." However, until the Commission resolves important issues such as pricing standards for interconnection and transport and termination charges, and experience has been gained with respect to customer reaction to the marketplace that develops thereafter, the probability that the model can accurately predict the "relative impact of particular changes in the industry" is zero. Many variables will determine the ability of competitors to enter new markets and their likely success, as well as the extent to which the market share held by existing participants will fluctuate.⁵ Every market will see different providers competing with different technologies in different combinations and with different levels of investment. Indeed, without accounting for the specific local parameters under which local competition will be implemented, no model could provide reliable predictive information regarding industry structural conditions.

Indeed, the Commission should not rely upon the proposed model when virtually nothing has been disclosed about its assumptions. Despite the recognition that "the presence or absence of any particular option or variable should not be interpreted as a Commission decision or a proposed Commission decision,"⁶ TCGI is concerned that results from the Staff's proposed model will carry a presumption


⁵/Moreover, no model can capture the important impact that many "real world" conditions have on the development of competition. For example, the Commission's model does not recognize the market impact that will occur when landlords refuse to allow competitive local exchange carriers to enter their buildings or the customer dissatisfaction that results from pervasive failures by incumbent local exchange carriers to properly and timely provision service as ordered by their competitors.

⁶/FCC News Release (rel. June 17, 1996).

of accuracy which is not merited when so little has been disclosed about the model. The Commission should rather rely on actual industry data such as that proposed by TCGI in its comments in the Commission's TAPS proceeding,⁷ rather than the inherently speculative results of the proposed model in making decisions in this proceeding.

Respectfully submitted,

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July 8, 1996

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⁷See n.4 supra.

CERTIFICATE OF SERVICE

I, Marjorie A. Schroeder, do hereby certify that a copy of the foregoing was sent by hand delivery, this 8th day of July, 1996, to the following:

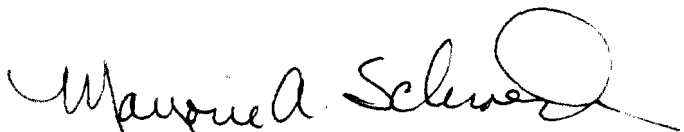
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